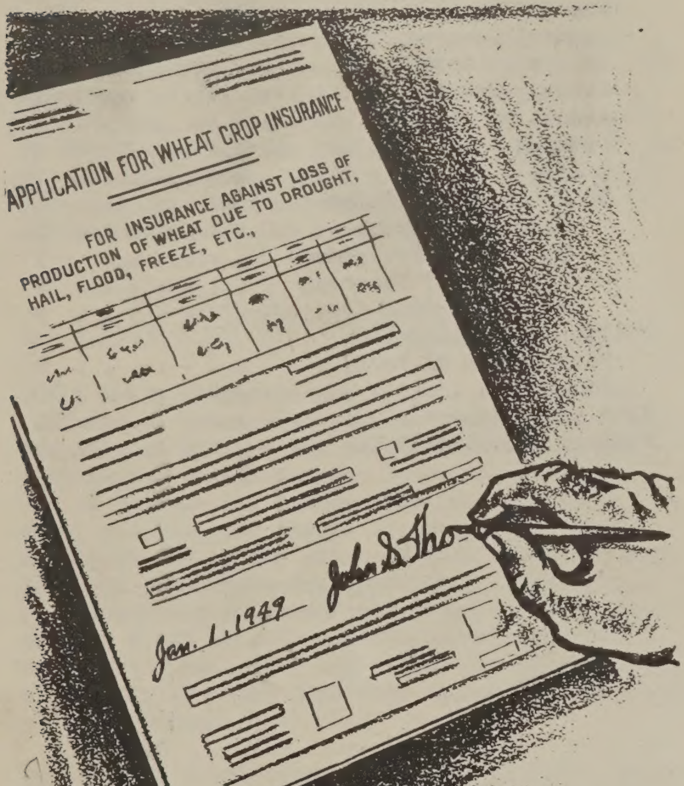
SALES HANDBOOK

1949 WHEAT

Federal Crop Insurance Program



UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
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Obtaining maximum participation - the job of the sales agent - is one of the most important activities in the handling of the Federal Crop Insurance Program, an all-risk crop insurance program operated by the United States Government.

Producers apply for Federal Crop Insurance because they want protection. For the producer to want a policy, he must understand that it is a sound business proposition and how it operates. The salesman's job is to accurately provide the producer with this information, answer his questions regarding it and get his signature at the time, if possible, or very soon if he definitely wants to "think it over" or "talk it over" before signing an application. Many sales that have really been made on the first contact are lost by failure to re-contact the prospect.

YOU CAN DO A GOOD JOB

It is not a difficult job to sell Federal Crop Insurance. Successful selling requires an understanding of the program and what it offers the individual, enthusiasm for its value this year and every year and enough drive to keep at it until you hit your stride if you obtain few or no signatures at the start of your sales efforts. Some who could have developed into outstanding crop insurance salesmen have given up after contacting 5, 10 or 20 prospects, convinced that "They can't sell it", and before the closing date a majority of those that they contacted have signed applications.

You will be doing every person who signs an application a real favor so you have reason to be aggressive in your efforts to get his signature on an application. You are offering him a sound business proposition - protection of his investment that is not otherwise available to him. Your job is to convince him that it is good business to increase his operating costs slightly in order to apply to his farming operation the basic principle that other businessmen have been using for many

years - the sound principle of protecting their investment so that if the enterprise fails to return a profit it does not destroy their investment too.

YOU SELL PROTECTION

Profit in farming must come from good crops. Crop insurance protects the money and labor that the farmer invests in trying to make a crop. The cost of this protection adds only slightly to his farm operating expense for the year.

With Federal Crop Insurance a wheat farmer can stabilize his operations. The small farmer can be sure that crop disaster will not put him out of business and the prosperous wheat farmer can protect his bank account. It is sound business to protect what you have, whether loss of your investment will mean inability to repay obligations or less money in your bank account.

This protection is worth every cent it costs and more. Crop disaster can strike any farmer. As long as crops are planted under the open sky and man cannot control the elements, the producer who says that "Crop losses can't strike me" or "I would never make that little" is speaking more from the standpoint of wishful thinking than certainty and frequently is forgetting the years when crop failure did strike him.

The producer who does not have crop insurance takes an unnecessary gamble on his investment in the crop. The producer who carries crop insurance every year and never suffers a loss is, of course, better off than the producer who collects indemnities. Crop insurance provides protection that the farmer should have every year. Insurance on buildings, automobiles or lives is not bought with the hope of collecting on them but as protection against what might happen. Crop insurance should be carried every year with the same attitude.

KNOW YOUR PRODUCT

The first essential is to know your product. You must have the answers and the reasons or you may find the prospect, rather than you, leading the conversation. This means that you should familiarize yourself with the provisions of the policy.

In the following pages you will find the explanation of the major program provisions and suggestions for presentation. You should read the policy and get the answers from the county office on any provisions not clear to you. If you understand the policy, you will have the answers to questions asked by your prospects and will develop your own sales talk which will be your most effective approach.

BE ACCURATE

Coverages and premium rates per acre have been established by areas in the county. An area includes that land on which there is reasonable uniformity of productivity and risk of loss and all land classified in an area has the same coverage and premium rate per acre. The applicant must be furnished correct information regarding his coverage and premium rate. This will not be difficult when his land all lies in one area, but it will require very careful attention to accurately inform the producer who has land in two or more areas.

The program should be presented in sufficient detail so that there will be no misunderstanding later of the important provisions of the policy or the amount of protection. Any erroneous information given the producer by you will not change the provisions of the contract. The only result will be loss of confidence in you and dissatisfaction with the Crop Insurance Program.

PROGRAM PROVISIONS

PROTECTION PROVIDED A Federal Crop Insurance policy provides broad protection of the producer's investment. It covers loss of production of wheat while in the field due to unavoidable causes such as drought, flood, hail, wind, frost, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation and plant disease.

It is protection against the production risks that man cannot control. Point out that it does not cover losses resulting from avoidable causes such as neglect or poor farming practices.

The protection begins when the wheat is seeded and normally ends when the crop is harvested.

WHO MAY APPLY An application may be filed by a landlord, owner-operator or tenant to cover only his interest at seedimg time in all insurable acreage of wheat in the county. If the application is accepted, a policy will be mailed the applicant.

Separate applications must be submitted by a person who desires insurance on farms operated in a personal capacity and on farms operated by him in a fiduciary or representative capacity. Also, separate applications must be submitted by each person who desires insurance on farms operated in an individual capacity and on other farms operated by a partnership in which he is a partner.

ACREAGE INSURED The policy will cover all insurable acreage in the county in which the applicant has an interest in the crop at the time of seeding. Only acreage for which a coverage and rate have been established is insurable.

Even though a coverage and rate have been established, there will be no insurance on (1) any acreage seeded to wheat which is destroyed or substantially destroyed before it is too late to reseed and is not reseeded, (2) any acreage initially seeded to wheat too late to expect to produce a normal crop, and (3) new ground acreage.

INSURANCE UNITS One policy covers all of the insured's farming operations in the county, whether he has one farm or several farms. Losses under the policy are, however, determined and settled separately on each insurance unit. In determining the acreage which constitutes an insurance unit, it is necessary to consider producers in three groups - owner-operator, landlord or share tenant.

Land rented for cash or for a fixed commodity payment is considered as owned by the lessee. Here is the way to determine insurance units.

(1) For an owner-operator, all insurable acreage in which he has 100-percent interest in the crop is one insurance unit. (An applicant could have only one unit of this type.)

(2) For a landlord, all insurable acreage owned by him and rented to one share tenant is one insurance unit. (A landlord would have as many units of this type as he has share tenants.)

(3) For a share tenant, all insurable acreage owned by one person and operated by the share tenant is one insurance unit. (A share tenant would have as many units of this type as he has landlords.)

Find out the producer's intended farming operations so that you can determine how many insurance units he has and can explain his coverage for each.

VALUING WHEAT

Commodity Coverage Insurance -- A fixed price is used to convert both premiums and indemnities to their cash value. The fixed price established for the county will be 90 percent of the wheat parity price for January 15 of the year in which the crop is to be harvested, adjusted for location of the county.

Monetary Coverage Insurance -- Production will be valued at $1.60 per bushel for 1949.

AMOUNT OF COVERAGE Insofar as possible you should know the three stages of coverage for the prospect's farm before you begin your talk with him so that you can be specific regarding the protection available to him without allowing your presentation to suffer a "cooling off period" while you are looking it up. You will be furnished lists or maps from which this information can be obtained.

In determining the insurance units for his operation, you have also learned the number of acres he intends to seed and his interest in the crop. Figure out his coverage. Don't quote the coverage as so many bushels of wheat or so many dollars per acre and stop there. It's a much better approach to work out the coverage for each insurance unit and then show him the coverage for his entire operation.

The maximum protection for an insurance unit will be the coverage per acre (harvested basis) multiplied by the number of acres to be seeded and by the interest in the crop. In counties having commodity coverage insurance, the coverage in bushels multiplied by the fixed price will show the dollar value of the coverage.

Point out to him how his coverage increases in three progressive stages as his investment in the crop increases. The three stages are:

First stage - Acreage which is released and planted to a substitute crop.
Second stage - Acreage not harvested and not planted to a substitute crop.
Third stage - Acreage harvested.

Remember, Federal Crop Insurance protects the investment - it insures production costs, not profit. Protecting what is invested is good business.

PREMIUM Figure out your prospect's premium for 1949 based on his intended acreage. While you are computing the premium, point out

that it is deductible as a farm operating expense on his income tax return. This will reduce the net cost of this protection by the percent of the income tax bracket he's in. For some people this will mean a substantial saving.

The premium is determined by multiplying (a) the insured acreage, by (b) his interest in the crop, by (c) the premium rate. In counties having commodity coverage insurance, multiply this by the fixed price.

There is a percentage reduction in premium when the insured acreage for a unit is 25 acres or more. Figure this reduction from the table on page 11.

A five percent discount will be allowed the insured provided he files his acreage report and pays his premium by June 15.

July 31 is the maturity date of the premium note which is a part of his signed application. If the premium is not paid before this date, a premium notice will be mailed him shortly before the maturity date.

Emphasize the fact that crop insurance is offered at minimum cost. Premiums paid by farmers are used only to pay losses to insured producers. Administrative costs of operating the program are provided by Congress as a service to farmers. Premiums paid by county farmers in excess of losses paid are credited to the county and the accumulation of an adequate reserve will lower the cost of this all-risk protection. No other form of all-risk protection is available to wheat producers - but if it were, the cost would probably be higher because premiums would have to allow for profit, payment of salaries, and other expenses.

LOSSES

Commodity Coverage Insurance — An indemnity is payable if the total production for an insurance unit is less than the total coverage. The number of bushels of wheat approved as indemnity will be multiplied by the fixed price and a check will be issued the insured promptly after the loss claim

is approved. The amount of loss in bushels for an insurance unit is determined by multiplying the insured acreage by the coverage per acre and subtracting the total production. The loss for the insured is then determined by multiplying the loss for the insurance unit by his interest in the crop.

Monetary Coverage Insurance -- An indemnity is payable if the value of the total production for an insurance unit is less than the total coverage. A check will be issued to the insured promptly after the loss claim is approved. The amount of loss for an insurance unit is determined by multiplying the insured acreage by the coverage per acre and subtracting the value of the total production. For 1949 any actual or appraised production will be valued at $1.60 per bushel. The insured's indemnity is determined by multiplying the loss for the insurance unit by his interest in the crop.

Total production on an insurance unit includes (1) harvested wheat, (2) for acreage released in the first stage, only the appraised production that is in excess of the coverage, (3) for acreage released in the second stage, only the appraised production that is in excess of the difference between the coverages in the second and third stages, and (4) wheat lost from causes not insured against.

Tell the producer who has signed an application that loss reports should be made to the county office in writing. Advise him that any material damage to the insured crop must be reported immediately after the damage occurs and that a loss must be reported immediately after harvest is completed. Caution him that damaged wheat acreage must not be put to another use until it is released in writing by an adjuster and that he should request such release through the county office.

OTHER IMPORTANT POINTS

Term of Contract -- The contract continues in force for each crop year until cancelled by the insured or by the Corporation. Either party may cancel the contract on or before the December 31

preceding the crop year for which the cancellation is to be effective. The majority will want their wheat investments protected every year so that they will have the protection if crop disaster strikes. With this contract it will not be necessary to make a new application each year in order to have Federal Crop Insurance protection. If changes are made in the contract the insured will be advised of such changes in advance of the cancellation date.

Collateral Assignment -- The credit value of crop insurance protection has been very important to many producers. It strengthens any producer's credit because it stabilizes his operation. The original insured may assign his right to any indemnity as collateral for a loan or other obligation by executing Form FCI-20, "Collateral Assignment", and filing it at the county office.

Transfer of Interest -- If a growing crop is transferred before the beginning of harvest, any indemnity will be payable to the person or persons to whom the transfer is made providing the premium has been paid or immediately after the transfer suitable arrangements are made by the transferee for payment of the premium.

Hail Insurance -- The amount of a Federal Crop Insurance indemnity will not be reduced because the farmer also carries hail insurance. Hail insurance and Federal Crop Insurance are not competitive. Hail insurance covers only the one risk, while Federal Crop Insurance covers essentially all unavoidable risks.

FILLING OUT APPLICATION

PREPARATION OF FORM

The applicant's name should be printed in the space provided at the top of the form exactly as it is signed. If you follow the very good practice of filling out the form before you urge the producer to sign, you will want to ask how he signs his business papers.

In commodity coverage insurance counties, enter "Yes" or "No" in item C to indicate whether the applicant desires partial insurance protection.

Enter the date of the applicant's signature in the space provided. You should sign as witness to the applicant's signature.

Enter in the box at the bottom of the application information as to the location of the farm(s) of the applicant or his headquarters and his telephone number if he has one. This information is for future use in servicing the contract and should be such that it will assist an adjuster in locating the farm(s) or the place where the applicant can be contacted. <u>This does not mean that the insurance is limited to such farms</u>.

<u>SIGNATURES</u>

Applications should be signed with indelible pencil or ink and <u>must be handwritten</u>, not printed. Signatures should include at least one given name, an initial, if any, and the surname.

When a person signs in a representative capacity he must show (1) the name of the principal for whom he is acting, (2) his own signature, and (3) the capacity in which he signs.

Following are some examples of signatures correctly affixed:

1. <u>As an individual:</u>
    a. John T. Smith
    b. J. Thomas Smith
    c. Mary L. Smith

2. <u>As agent:</u>
    a. John T. Smith, by Henry O. Brown, Agent
    b. Smith and Jones, a partnership
       by George E. Miles, Agent

3. <u>As member of partnership:</u>
    a. Smith and Jones, By John T. Smith,
       a partner

The above types of signatures cover most cases.

If you should obtain an application with a signature that you are doubtful about, call this to the attention of the county office. Should you need additional information regarding the correct manner of affixing a signature, you may obtain it at the county office.

YOUR SALES REPORT

You are required to make regular reports of contacts and sales to the county office on the form that they furnish you.

Information needed for your sales report includes (1) name of each person contacted, (2) date contacted, (3) if application is signed, the number of insurance units covered, and (4) if application is not signed, brief reasons why and whether you will re-contact him.

PREMIUM REDUCTION TABLE

The following table shows the amount of reduction in annual premiums where the insured acreage on an insurance unit is 25 acres or more:

Acreage	Percent Reduction
0 - 24.9	0
25 - 74.9	1
75 - 124.9	2
125 - 174.9	3
175 - 224.9	4
225 - 274.9	5
275 - 324.9	6
325 - 374.9	7
375 - 424.9	8
425 - 474.9	9
475 - 524.9	10
525 - 574.9	11
575 - 624.9	12
625 - 674.9	13
675 - 724.9	14
725 - 774.9	15
775 - 824.9	16
825 - 874.9	17
875 - 924.9	18
925 - 974.9	19
975 - over	20